

Staff Report

ALCOHOL SERVICE AT THE AMES CITY AUDITORIUM

May 23, 2023

BACKGROUND:

Staff is continuously exploring new ways to increase programming, reduce the tax subsidy, and attract larger and new audiences to the Ames City Auditorium (ACA). The ACA is also developing strategies to overcome the anticipated revenue loss in the next three to five years from Lutheran Church of Hope (Hope Church) as they complete construction of their own building. The anticipated revenue loss from the Hope Church rental is approximately \$42,000 annually.

ACA event attendees regularly ask staff as to why alcohol is not served at many of the events. Staff receives these comments at Parks and Recreation (P&R) sponsored events, like the winter concert series, and P&R non-sponsored events like Central Iowa Symphony, and Ames Town and Gown. Patrons state the ability to purchase alcohol at other venues in town like Stephen's Auditorium and The Maintenance Shop makes them more likely to attend events in those facilities.

The Auditorium, Bandshell, and Community Center Manager (ABC) has spoken with several entertainment promoters who have cited the lack of alcohol sales as the primary reason for not considering the ACA for their events. Promoters like First Fleet Concerts, Mammoth Productions, and Leo Presents have expressed interest in the facility however, it is not guaranteed that the permission for alcohol sales would be enough to entice these promoters to use the facility. It is worth noting that promoter sponsored events could lead to hosting larger touring events that generate significant amounts of revenue with minimal investment. If alcohol sales were permitted, a strategy could be developed to recruit larger, promoter sponsored events.

The remainder of the report provides information regarding what type of events alcohol service would be allowed, as well as, options for selling alcohol. Council is being asked to provide direction to staff on this proposal. If Council agrees in concept, staff will then develop policy for selling alcohol at the ACA.

TYPES OF EVENTS:

If alcohol sales were permitted, staff would consider alcohol service for all Auditorium events and rentals, except those that are targeted primarily for youth attendances or those under drinking age and events/rentals that are religious in

nature. Some of these examples would be ISU Hip Hop Club, Hope Church services, bible school, and Story Theater Company.

Examples of current or upcoming events that staff would desire to have alcohol service:

Type of Event		Events Per FY	Est. Attendance Per Event	Total Est. Attendance
Fall Series	Concert	5	60	300
Winter Series	Concert	7	60	420
ACA Events**	Special	3	150	450
Central Symphony	Iowa	4	250	1,000
Dance Recitals		9	525	4,725
ISU Concerts	Band	3	360	1,080
Senior Show	Variety	2	350	700
Other Rentals***	Event	2	150	300
Totals		35		8,975
Averages				256

**ACA special events include co-produced events like the Bliss Circus Show & Man With a Movie Camera, and larger special events like “The Reminders” and “The Healing Power of Music”

***Concert Rentals include rentals for concerts by outside users similar to Nostalgia In Reverse, Maximum Ames Music Festival, and Chris Duarte

OPTIONS FOR SELLING ALCOHOL:

Staff has considered three options regarding alcohol sales at ACA.

- 1) Contracted vendor sales
- 2) Sales by City staff
- 3) Do not sell alcohol

Each of these options are described below along with the pros and cons, estimated revenues and expenses, and net revenue.

CONTRACTED VENDOR:

With this option, staff would procure a vendor to provide alcohol sales at specific events over the course of the year. Staff has had conversations with two vendors that have expressed an interest and would be able to perform this service. The contractors would also be permitted to sell small concessions items like candy, chips, and water. The areas in which alcohol would be consumed would be limited to the ACA lobby, seating areas (floor and balcony), and stage. The contracted vendor would be required to provide a minimum percentage of gross sales (perhaps 10%) to the ACA.

Pros:

- Contractor would be responsible for obtaining and maintaining required liquor license, permits, and insurance.
- Contractor would be responsible for staffing alcohol sales and completing required training for staff to be eligible to sell alcohol.
- Contractor is responsible for identifying and wrist banding patrons who are of legal drinking age.
- Contractor would be responsible to provide and store equipment and inventory offsite.
- Contractor would be responsible for inventory and product waste.
- No upfront costs required by ACA to sell alcohol
- ACA would receive a minimum of 10% of gross revenue.

Cons:

- ACA would only receive a percentage of gross sales as opposed to the net revenue of each item sold.
- ACA would have to potentially staff additional members for large scale events to monitor alcohol consumption of patrons and areas in which alcohol can be consumed.
- Potential negative perception of ACA serving alcohol.

The chart below demonstrates staff estimation if the average price of an alcoholic beverage is \$6.00 with ACA receiving a minimum of \$0.60 (10%) per beverage. For FY 2023/24, it is anticipated that there will be 35 events where alcoholic beverages could be sold. The average attendance for these events is approximately 256 audience members.

Staffing expenses in the chart below are included based on the need for additional personnel in areas where alcohol consumption is permitted. Actual staffing cost will be based on the actual event history and attendance. **In this scenario, staff are factoring one additional staff member for an event with an average attendance of 256.** Actual staffing charges could be higher or lower depending on the type of event.

Estimated ACA Net Revenue and Expense Breakdown for Events with Alcohol Service				
Average # Of Beverages Sold Per Audience Member: (Based on an attendance of 256 people)	0.25	0.5	1	1.5
Total # of Beverages Sold:	64	128	256	384
10% of Gross Sales Per Event: (Assumes \$6 per drink)	\$38	\$77	\$154	\$230
ACA Staffing Expenses Per Event:	\$45	\$45	\$45	\$45
ACA Net Revenue:	-\$7	\$32	\$109	\$185
10% of Gross Sales for 30 Events Per Year:	\$1,140	\$2,310	\$4,620	\$6,900
ACA Staffing Expenses Per 30 Events:	\$1,350	\$1,350	\$1,350	\$1,350
ACA Net Revenue:	-\$210	\$960	\$3,270	\$5,550
10% of Gross Sales for 35 Events Per Year:	\$1,330	\$2,695	\$5,390	\$8,050
ACA Staffing Expenses Per 35 Events:	\$1,575	\$1,575	\$1,575	\$1,575
ACA Net Revenue:	-\$245	\$1,120	\$3,815	\$6,475
10% of Gross Sales for 40 Events Per Year:	\$1,520	\$3,080	\$6,160	\$9,200
ACA Staffing Expenses Per 40 Events:	\$1,800	\$1,800	\$1,800	\$1,800
ACA Net Revenue:	-\$280	\$1,280	\$4,360	\$7,400

The following are several examples of City owned, or partially City owned facilities in Iowa using this model. The following venues utilize an outside vendor for alcohol sales at events in their facilities:

<u>Facility</u>	<u>City</u>	<u>Capacity</u>
Burlington Memorial Auditorium	Burlington	1,264
Five Flags Auditorium	Dubuque	4,000
Paramount Theater	Cedar Rapids	1,693
Orpheum Theater	Sioux City	2,650

ALCOHOL SALES BY CITY STAFF:

A second option would be for alcohol sales to be done by ACA Staff. The Parks and Recreation Department currently sells alcohol in this manner at the Homewood Golf Course. The main difference in alcohol service at Homewood is that the service is available during all operating hours, where ACA would be an event-by-event basis.

Pros:

- ACA would retain all net revenue from sales.
- Staff could be cross trained for concession/alcohol sales at both ACA and Homewood.

Cons:

- ACA would assume all upfront cost of inventory, supplies, and equipment related to alcohol sales.
- Storage space is limited for equipment and/or inventory to be stored onsite at ACA.
- Offsite storage will lead to additional costs being incurred due to transporting equipment and inventory.
- ACA would be responsible for obtaining and maintaining required liquor license, permits, and insurance.
- ACA would assume liability for the sale of alcohol.
- ACA would be responsible for staffing the serving and monitoring of alcohol.
- ACA would be responsible for identifying and wrist banding patrons who are of age.
- ACA would be responsible for training staff on protocols related to alcohol sales.
- ACA would be responsible for inventory and product waste.
- Potential negative perception of ACA serving alcohol.

The chart below demonstrates staff estimation of revenue and expenses for this Option. Expenses in this chart represent staffing, licensing costs, insurance costs, and product cost per event. A minimum of 3 staff people would be needed for a minimum duration of 4 hours each (one checking ID's, one bartender, and one for monitoring). This includes setup and cleanup time. The cost of a beer and wine annual permit is \$585. Product cost varies, but a \$2 per beverage average is used below. DRAM Shop insurance is \$500 OR approximately 20% of gross sales (whichever is higher).

Estimated Gross Revenue and Expense Breakdown				
Average # Of Beverages Sold Per Audience Member: (Based on an attendance of 256)	0.25	0.5	1	1.5
Total # of Beverages Sold:	64	128	256	384
Per Event Alcohol Revenue: (Assumes \$6 per drink)	\$384	\$768	\$1,536	\$2,304
ACA Staffing Expenses:	\$180	\$180	\$180	\$180
Inventory Expenses:	\$128	\$256	\$512	\$768
Insurance Cost:	\$500	\$500	\$500	\$500

License Fee:	\$585	\$585	\$585	\$585
Total Expense:	\$1,393	\$1,521	\$1,777	\$2,033
Net Revenue:	-\$1,009	-\$753	-\$241	\$271
Total Alcohol Revenue - 30 Events Per Year:	\$11,520	\$23,040	\$46,080	\$69,120
ACA Staffing Expenses:	\$5,400	\$5,400	\$5,400	\$5,400
Inventory Expenses:	\$3,840	\$7,680	\$15,360	\$23,040
Insurance Cost:	\$2,304	\$4,608	\$9,216	\$13,824
License Fee:	\$585	\$585	\$585	\$585
Total Expense:	\$12,129	\$18,273	\$30,561	\$42,849
Net Revenue:	-\$609	\$4,767	\$15,519	\$26,271
Alcohol Revenue for 35 Events Per Year:	\$13,440	\$26,880	\$53,760	\$80,640
ACA Staffing Expenses:	\$6,300	\$6,300	\$6,300	\$6,300
Inventory Expenses:	\$4,480	\$8,960	\$17,920	\$26,880
Insurance Cost:	\$2,688	\$5,376	\$10,752	\$16,128
License Fee:	\$585	\$585	\$585	\$585
Total Expense:	\$14,053	\$21,221	\$35,557	\$49,893
Net Revenue:	-\$613	\$5,659	\$18,203	\$30,747
Alcohol Revenue for 40 Events Per Year:	\$15,360	\$30,720	\$61,440	\$92,160
ACA Staffing Expenses:	\$7,200	\$7,200	\$7,200	\$7,200
Inventory Expenses:	\$5,120	\$10,240	\$20,480	\$30,720
Insurance Cost:	\$3,072	\$6,144	\$12,288	\$18,432
License Fee:	\$585	\$585	\$585	\$585
Total Expense:	\$15,977	\$24,169	\$40,553	\$56,937
Net Revenue:	-\$617	\$6,551	\$20,887	\$35,223

There is only one City-owned venue that staff is aware of that conduct their own alcohol sales at events.

<u>Facility</u>	<u>City</u>	<u>Capacity</u>
Coralville Center for the Performing Arts	Coralville	472

Staff sought to collect information from these facilities regarding revenues and expenses, but were unsuccessful in obtaining.

DO NOT SELL ALCOHOL:

A third option would be to not proceed with any type of alcohol sales at the ACA during events.

Pros:

- Current operation of the facility does not change.
- Avoid any potential negative perceptions of ACA events that serve alcohol.

Cons:

- Loss of potential revenue.
- Potential loss of new, larger events.
- Potential incentive lost for new customers to experience an ACA event.
- Local competition with facilities who offer this service.

PARKS AND RECREATION COMMISSION FEEDBACK:

At its April 20, 2023 meeting, the Parks and Recreation Commission discussed the selling of alcohol at ACA events. The Commission was in favor of selling alcohol for ACA events and provided the following comments:

- Is there storage space available if ACA were to do the selling? Staff replied that storage space is already a problem as items are stored in City Hall hallways.
- Will staffing be an issue? Staff responded that it will be more difficult if ACA were selling as more staff would be required.
- Choose the option that minimizes the risk to the City.
- Non-alcoholic drinks such as water and soda should be sold as well. Staff indicated non-alcoholic drinks and other concession items would be sold as well.
- Who is responsible for cleanup if we contract with a vendor? Staff replied that the vendor is responsible for the area where alcohol is sold, and staff is responsible for the remainder of the auditorium.
- It seems to make sense to start with a vendor selling to minimize risk and gauge how it goes.

STAFF COMMENTS:

When considering additional revenue sources in the Auditorium, staff must explore all options. Options like alcohol service allow additional revenue to be generated from events that are already happening. Alcohol services will also address customer requests. It is possible that alcohol service could increase attendance at certain events. This service also has the potential to increase the number and scale of events offered at ACA and make the facility more attractive to promoters.

Like many things P&R does, staff will evaluate if the service is having the desired impact on revenue and attendance, and overall, a good business decision. Staff is in favor of selling alcohol at the ACA with a contracted vendor.

CITY COUNCIL DIRECTION NEEDED:

- 1) Should ACA sell or not sell alcohol at events?
- 2) If alcohol sales are permitted, should sales be contracted to a vendor, or should it be sold by City staff?
- 3) If alcohol sales are permitted, what types of events should include alcohol service?

NEXT STEPS:

If alcohol service is recommended by the City Council for ACA, there will be several steps that will need to be taken prior to beginning service.

- 1) Staff will work with Ames Police Department and other City departments to develop rules and policies for alcohol sales along with determining what additional cleanup and security measures might be necessary if service is allowed.
- 2) Further actions to implement will vary depending on the direction in which it is determined alcohol service is to be provided, either through a contracted vendor or by City staff.